PARTICIPANTS

Corporate Participants

H. Fraser Phillips – Senior Vice President, Investor Relations & Strategic Analysis, Teck Resources Ltd.
Donald R. Lindsay – President, Chief Executive Officer & Director, Teck Resources Ltd.
Ronald A. Millos – Senior Vice President-Finance and Chief Financial Officer, Teck Resources Ltd.
Robin B. Sheremeta – Senior Vice President, Coal, Teck Resources Ltd.
Dale E. Andres – Senior Vice President-Base Metals, Teck Resources Ltd.
Ian Anderson – Vice President-Logistics, Teck Resources Ltd.
Andrew Milner – Senior Vice President and Chief Transformation Officer, Teck Resources Ltd.
Réal Foley – Senior Vice President, Marketing and Logistics, Teck Resources Ltd.

Other Participants

Orest Wowkodaw – Analyst, Scotia Capital, Inc.
Matthew Korn – Analyst, Goldman Sachs & Co. LLC
Greg Barnes – Analyst, TD Securities, Inc.
Chris Terry – Analyst, Deutsche Bank Securities, Inc.
Gordon Lawson – Analyst, Paradigm Capital, Inc.
Carlos F. De Alba – Analyst, Morgan Stanley & Co. LLC
Lucas N. Pipes – Analyst, B. Riley FBR, Inc.
Brian MacArthur – Analyst, Raymond James Ltd.
Alexander Hacking – Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, Thank you for standing by. Welcome to Teck Resources Q4 2019 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Friday, February 21, 2020.

I would now like to turn the conference call over to Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis. Please go ahead, sir.

H. Fraser Phillips, Senior Vice President, Investor Relations & Strategic Analysis, Teck Resources Ltd.

Thanks very much, Mole, and good morning, everyone, and thank you for joining us for Teck's fourth quarter 2019 results conference call. Before we begin, I would like to draw your attention to the caution regarding forward-looking statements on slide 2. This presentation contains forward-looking statements regarding our business. The slide describes the assumptions underlying those statements.

Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement. I'd also like to point out that we use various non-GAAP measures in this presentation. You can find explanations and reconciliations regarding these measures in the appendix.

With that, I will the call over to Don Lindsay, our President and CEO.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Thank you, Fraser, and good morning, everyone. I will begin on slide 3 with highlights from our fourth quarter and our year-end results, followed by Ron Millos, our CFO, who will provide additional color on the financial results, and we'll conclude with a Q&A session. Ron and I and additional members of our senior management team would be happy to answer any questions.

So, commodity prices were negatively impacted by global economic uncertainty in 2019. This has continued into 2020. There were some signs of improvement in December and early January, with an agreement on a US-China phase one trade deal. But then the coronavirus emerged, and the full impact of the virus is still unknown. We are monitoring developments in order to be in a position to take appropriate action.

It has been a difficult start to the year. In addition to the coronavirus, our steelmaking coal operations in British Columbia have also been impacted by logistics constraints caused by severe winter weather in January and early February, and then more recently by railway interruptions across the country. And as many of you know, we are Canada's largest railway customer.

Given this backdrop, our focus remains on those aspects of our business that are within our control.

So, with that, I'll turn to highlights from our fourth quarter 2019. In that respect, we've made significant progress on our four key priorities.

First, construction continues at QB2 with over 7,500 people actively working on site across the six major construction areas. We closed the US$2.5 billion project financing in the fourth quarter. And on February 3, we announced an agreement with AES Corporation to source approximately half of QB2's total operating power needs from renewable sources. QB2 is a world-class copper project and a key component of Teck's future growth.

Second, our innovation-driven business transformation program known as RACE21 continues to advance. We exceeded our initial target in 2019, having implemented projects aimed at achieving CAD 160 million in annualized EBITDA improvements as of December 31 at commodity prices that were substantially lower than the prices that were in effect when we set the initial target back in May of 2019. RACE21 is transforming our business through implementation of existing proven technology across the mining value chain to improve productivity and lower costs. We have set a target for a cumulative total of CAD 1 billion in ongoing annualized EBITDA improvements by the end of 2021. To put it in perspective, RACE21 has the potential to have as big an impact on our financial results as QB2, yet with less than 25% of the capital and in just 2 years instead of 10. Now I'll come back to RACE21 in a few minutes.

Third, the execution of our priority project at Neptune Terminals continues to advance. In order to match port capacity with the reduced production and improve productivity and safety as we advance construction, we intend to suspend terminal operations for five months from May to September. The upgrade project will significantly increase terminal loading capacity and improve our capability to meet our delivery commitments to our customers, while lowering our overall logistics costs. Project completion is expected in Q1 of 2021, and we are evaluating opportunities to gradually increase port capacity earlier than that.

And fourth, we are starting to see the benefits of the company-wide cost reduction program that we announced in Q3 of 2019. We have achieved CAD 210 million of capital and operating cost reductions in the fourth quarter, exceeding our target of CAD 170 million. And Ron Millos will speak to our cost reduction program in further detail a little later.

We are pleased with the progress that we've made on our four key priorities.

At the same time, we reduced total shares outstanding to 547 million. Our financial position remains strong with current liquidity of around CAD 5.8 billion.

We continue to focus on health and safety and sustainability leadership. We were pleased to recently receive further recognition of our sustainability leadership by being named as one of Canada's Top 100 Employers. We were named to the 2020 Bloomberg Gender-Equality Index and as one of the Global 100 Most Sustainable Corporations.

We've been working on an updated sustainability strategy and goals, which will be released with our sustainability report in March. As a preview of what is to come, we have announced an objective to be carbon-neutral across all operations and activities by 2050.

Turning to our financial results on slide 4. In the fourth quarter, revenues were CAD 2.7 billion. And gross profit before depreciation and amortization was CAD 875 million.

The decline in steelmaking coal prices had a significant negative impact on fourth quarter profitability. Benchmark steelmaking coal prices declined from US$210 per tonne in the first quarter 2019 to US$142 per tonne in the fourth quarter. Current spot market prices are actually back up to US$159.

In addition, we recorded total non-cash after-tax impairment charges of CAD 999 million and CAD 910 million was for our interest in Fort Hills, CAD 75 million for our Cardinal River steelmaking coal operation and CAD 14 million for the remaining assets of our cathode operations at QB. Bottom line adjusted profit attributable to shareholders was CAD 122 million or CAD 0.22 per share on both the basic and a fully diluted basis, which was below consensus EPS of CAD 0.39 per share.

There were three items that were not known or estimated by the market that reduced our adjusted EPS. First, the decommissioning and reclamation provision; second, inventory write-downs; and third, other environmental expenses. These totaled CAD 0.17 per share, which accounts for the whole difference between the consensus EPS of CAD 0.39 per share and our reported adjusted EPS of CAD 0.22.

For the full year, we generated CAD 11.9 billion in revenue and CAD 5 billion in gross profit before depreciation and amortization. Bottom line adjusted profit attributable to shareholders was CAD 1.6 billion, which is CAD 2.77 per share or CAD 2.75 per share on a diluted basis.

Details of the quarter and the year's earnings adjustments are on slide 5. The CAD 999 million in total non-cash after-tax impairment charges was the only significant adjustment in the fourth quarter. All the additional charges in the fourth quarter that we do not adjust for are detailed on the slide, and they totaled CAD 105 million on an after-tax basis or CAD 0.19 per share on a diluted basis.

I will now run through the highlights by business units, starting with steelmaking coal on slide 6. In the fourth quarter, sales of 6.3 million tonnes were at the midpoint of our guidance range, despite some logistics challenges. 2019 production was in line with revised guidance. Fourth quarter production was impacted by mining challenges at the Fording River operations, which were partially offset by record production at Elkview Operations and strong processing throughput at other operations.

Our mine site clean coal inventory storage areas were at full capacity at times in the fourth quarter due to logistical constraints, which reduces our operational flexibility into 2020. 2019 site cost of sales and transportation costs were in line with guidance and at the upper end of the range. In December 2019, we entered into a long-term agreement with CN for shipping steelmaking coal between Kamloops and Neptune and between Kamloops and Ridley from April 2021 to December 2026, which will enable us to significantly increase shipment volumes through Neptune.

We also announced an expanded commercial agreement with Ridley Terminals in January 2020, increasing our contracted capacity from 3 million tonnes per annum to 6 million tonnes, with an option to extend up to 9 million tonnes commencing January 1, 2020.

Looking forward, we expect sales of approximately 4.8 million to 5.2 million tonnes in the first quarter 2020, down from our previous estimate of 5.1 million to 5.4 million tonnes. As I mentioned earlier, our steelmaking coal operations at British Columbia had been impacted by severe winter weather in January and early February, and more recently by railway interruptions across the country. This caused rail and port terminal performance issues, with an estimated impact of over 1 million tonnes on our Q1 sales.

Given the potential for weaker demand in the short-term due to the effects of coronavirus and the high inventory levels due to rail and port constraints, we are choosing to temporarily reduce production and implement a shutdown of Neptune Bulk Terminals in order to progress the facility upgrade. This reduction, combined with extreme winter weather in January and early February, which was then followed by rail blockades, means that we are now expecting our steelmaking coal production in 2020 to be between 23 million and 25 million tonnes.

As we had previously disclosed in Q3, we plan to complete some of our major plant outages earlier in 2020, reducing our steelmaking coal production in the first half of the year and increasing production in the second half of the year. The extended construction outage from May to September at Neptune will also affect our quarterly cost of sales. As a result, we expect our cost of sales to be higher in Q1 2020 than in Q4 2019, and then to decrease in the fourth quarter 2020 when we are back to near-full production levels.

Finally, as part of our strategy to maintain production capacity of approximately 27 million tonnes in the Elk Valley, our Elkview operation is scheduled to complete its plant expansion project in the first quarter of 2020.

Turning to our copper business unit, our Q4 results are summarized on slide 7. Copper production declined by 2,000 tonnes from a year ago, primarily due to the labor action at Carmen de Andacollo, which resulted in around 9,000 tonnes of lost production. This was offset by increased production from Highland Valley as a result of higher copper grades and recoveries. Overall, 2019 copper production was in line with guidance.

Our cash unit costs before by-products decreased by about US$0.18 per pound in the fourth quarter. However, lower moly and zinc prices and sales volumes resulted in substantially lower by-product credits and, as a result, our net cash unit costs were up US$0.06 per pound. For the year, cash production cost came in just below the lower end of our annual guidance range. Looking forward to 2020, we expect our copper production to be similar to last year and our net cash unit costs to decline.

Moving on to slide 8, I'd like to provide a quick snapshot of our progress on QB2, which is one of the world's largest undeveloped copper sources. QB2 is expected to have lower operating costs, initial mine life of 28 years, and significant potential for further growth which we are evaluating as part of the QB3 expansion study. Overall, progress stands at about 25%. Engineering, contracting and procurement activities are each over 95% complete. With earthworks and concrete installation well-advanced, the project has commenced steel erection and the placement of mechanical equipment, including the first components for the grinding mills in the concentrator. The photo on the right shows the first mill shell being lifted into place. Construction of the tailings facilities, the pipelines, the roads and power lines, is also progressing.

The project continues to target first production in the fourth quarter of 2021 with ramp-up to full production expected during 2022. However, there have been delays in the schedule primarily due to permitting and social unrest, and those delays will also affect costs. I should note here that the recent weakness in the Chilean peso is having a significant beneficial effect on project capital expenditures.

As we have said before, an updated capital estimate and baseline schedule is currently under development with completion expected by the end of March 2020 and we'll be going through that at our Investor Day on April 1.

On slide 9, you can see the primary crusher area where we are in the process of pouring concrete foundations and completing the platforms for the ore transport conveyors that will take the crushed material to coarse ore stockpiles, providing feed for the mills. Overall, the project has moved over 12 million cubic meters of earthworks, representing approximately 47% of the overall plan. The majority of the remaining earthworks are associated with the tailings management facility, the pump station platforms, and the pipeline right-of-way.

On the next slide, you'll see concrete installation is progressing well in both the concentrator and port areas, with approximately 50,000 cubic meters or 29% placed to-date. This slide shows the progress we've made in the grinding area of the concentrator where we have been pouring concrete for the two SAGs and the four ball mills since May. We will continue with concrete, structural steel, and mill erection in this area throughout 2020.

Moving to the flotation area of the concentrator on slide 11, you can see the first of 14 650-cubic meter flotation cells in place on its foundation. In addition to the erection of mechanical equipment, we continue to advance the concrete foundations for the molybdenum plant and concentrate and the tailings thickeners. The platform for the tailings transport thickener is near completion and the coffer dam at the tailings management facility has reached its crest and work is ongoing with respect to the starter dam.

On slide 12, you can see some of the progress on the pipeline where the contractor is working on multiple fronts, developing the platform and the trenching. Pipe stringing and welding is now also underway. The photo shows the pipe stringing and welding for the 36-inch water system with the trench for the pipeline to the left of the photo. And construction of the 8-inch concentrate transport system will follow similar process.

Finally, on slide 13, you can see the port site where we are progressing both onshore and offshore activities. This photo shows progress of a desalination plant with foundations well-advanced ahead of installation of mechanical components. Overall, the project team continues to focus on advancing construction across all areas of the project.

On our zinc business unit results, they're summarized on slide 14. And as a reminder, Antamina zinc-related financial results are reported in our copper business unit.

Red Dog sales of zinc and concentrate were above our guidance range at 174,000 tonnes. Red Dog zinc production declined by 29,000 tonnes compared to a year ago, primarily due to reduced mill throughput as a result of planned mill shutdowns related to the VIP2 mill enhancement project.

At Trail Operations, the electrical equipment failure in August contributed to a 10% reduction in refined zinc production that negatively affected Trail's profitability in the fourth quarter. However, the repairs were completed by the end of November, ahead of schedule.

Looking forward, we expect Red Dog's contained zinc sales to be 135,000 to 140,000 tonnes in Q1, reflecting the normal seasonal pattern. Red Dog's production is expected to be lower in the first quarter due to both lower grades and VIP2 commissioning activities. For the full year, we expect our zinc and concentrate production to be 600,000 to 640,000 tonnes, including co-product zinc production from our copper business unit.

Net cash unit costs at Red Dog are expected to increase in 2020, primarily due to lower production and increased treatment charges for both zinc and lead and are expected to follow the normal seasonal pattern.

Our energy business unit results are summarized on slide 15. Gross profit before depreciation and amortization from our energy business increased by CAD 129 million, primarily due to higher realized prices. As I noted earlier, during the fourth quarter, we recorded a non-cash pre-tax asset impairment for our interest in Fort Hills of CAD 1.24 billion or CAD 910 million after-tax as a result of lower market expectations for future Western Canadian Select heavy oil prices.

Adjusted operating costs were higher in Q4 compared with the same period last year, reflecting the impact of lower volumes in the current period. Operations also advanced overburden stripping to take advantage of winter conditions, resulting in higher costs.

Despite the Government of Alberta's mandatory production curtailments being in place throughout 2019, both production and unit operating costs remained within our annual guidance for the year. Overall, gross profit before depreciation and amortization was CAD 144 million for the full year.

Turning to slide 16 and RACE21. Our innovation-driven business transformation program with a focus on transforming our business and generating significant value through 2021. We launched the program at our Investor & Analyst Day last year and set an initial target in May 2019 to implement projects that would generate CAD 150 million in annualized EBITDA improvements by the end of 2019.

As I said earlier, we have exceeded the initial target and implemented initiatives aimed at achieving CAD 160 million in annualized EBITDA improvements as of December 31. And that is based on commodity prices on that date, December 31. And those prices were substantially lower than when we set the initial target back in May.

Approximately 65% of the EBITDA improvement comes from application of data analytics at our processing facilities. 25% comes from analytics of our mining processes and 10% from improvements in maintenance through the application of machine learning. Overall, 30 different projects are now currently operating.

Going forward, we plan to expand these projects implemented to-date more broadly across all our operations, as well as to identify and implement some new projects to create additional value.

For 2020, we are targeting implementing projects that are aimed at generating an additional CAD 350 million in annualized EBITDA improvements for a cumulative total of around CAD 500 million. And looking forward to 2021, we are targeting implementing projects that are aimed at generating a further CAD 500 million in annualized EBITDA improvements by the end of that year.

So, as I mentioned earlier, that would be a cumulative total of CAD 1 billion for the RACE21 program. Those are ongoing annualized EBITDA improvements which are recurring year-after-year which represent significant value.

So, with that, I will pass it over to Ron Millos for some comments on our financial results.

Ronald A. Millos, Senior Vice President-Finance and Chief Financial Officer, Teck Resources Ltd.

Thanks, Don. I'll start with a summary of changes in our cash position during the quarter on slide 17. We generated CAD 782 million in cash from operations and we received CAD 25 million in equity contributions from Sumitomo Metal Mining and Sumitomo Corporation for the QB2 project and CAD 14 million came from investments in asset sales in the quarter. We spent CAD 883 million on capital projects and capitalized stripping costs were CAD 152 million. We purchased CAD 148 million in Class B shares, paid CAD 71 million in interest and finance charges, spent CAD 55 million on investments and other assets, and we made lease payments of CAD 43 million. Our quarterly dividend used CAD 27 million in cash. And after these and other major items – minor items, sorry, we ended the quarter with cash and short-term investments of approximately CAD 1 billion.

Slide 18 provides an update on our company-wide cost reduction program which was implemented in Q3 2019 in response to the global economic uncertainty. In Q4, we achieved approximately CAD 210 million of capital and operating reductions and that exceeded our target of CAD 170 million. And looking at 2020, we now expect around CAD 400 million of capital and operating reductions, which are included in our guidance. We, therefore, increased our target for total reductions to approximately CAD 610 million from previously planned spending through the end of 2020, and that compares with our original target of CAD 500 million. And to achieve our targeted cost reductions, we expect to eliminate approximately 500 full-time equivalent positions by the end of 2020, some of which we expect to come from attrition, the expiration of temporary or contract positions, and current job vacancies.

And our target cash cost reductions do not include initiatives that would result in a reduction in the production volumes of our commodities or that could adversely affect the health and safety of our people.

Turning to slide 19, our financial position remains strong. We currently have approximately CAD 5.8 billion of liquidity and that includes CAD 532 million of cash. We have no significant debt maturities prior to 2035 and we have investment grade credit ratings from all four credit rating agencies. As Don mentioned, we closed the US$2.5 billion limited recourse project financing facility to be used to develop QB2. That was done in the fourth quarter and we expect to start drawing on that facility shortly.

And as we previously mentioned, the QB2 partnering transaction and the financing plan dramatically reduced Teck's funding requirements for the project and no contributions to the project are expected from Teck until early 2021.

And as Don mentioned earlier, we reduced our total shares outstanding to 547 million shares through purchases under our normal course issuer bid.

So, with that, I'll turn the call back to Don for his closing comments.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Thanks, Ron. As I said at the outset, our focus remains on those aspects of our business within our control that are focused on our four key priorities: first, the development of the QB2 project, which is a key component of our future growth; second, executing our RACE21 program to improve the efficiency and productivity across our business; third, the execution of our priority project at Neptune Terminals; and, fourth, our company-wide cost reduction program with an increased target now of approximately CAD 610 million in reductions, up from the CAD 500 million target previously, and that's from previously planned spending through to the end of 2020.

These priorities are consistent with executing our straightforward strategy of running our operations safely, efficiently, and sustainably to generate cash, successfully execute our QB2 project, and return additional cash to shareholders.

And with that, we'd be happy to answer any questions. And I should say that some of our management team members are calling in from different location, so there may be a brief pause after you ask your question while we sort out who's going to answer it. With that, back to you, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Orest Wowkodaw from Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Hi. Good morning. I was hoping we could get some more color on the guidance for the coal segment for 2020. I find it very confusing why the cost guidance is so high, given last year you were pushing volume in order to maximize margin. Obviously, with the lower coal price, we've been hearing that contractors have been reduced, overtime reduced, strip ratio coming down, and then all of these efficiency programs, RACE21, and others. How come we're not seeing that at all flow through the cost guidance in 2020?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. Over to Robin Sheremeta.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. You've got – just the biggest influence that you're going to see on cost guidance through 2020 really comes down to the production rate that we're able to operate at. So – and we walked through the constraints that are on the system, particularly in Q1 where we're going to be close to 5 million tonnes production, and then Q2 and Q3 where we have a five-month planned shutdown at Neptune. So, when you take that production off, we're going to have to reduce our production at the mine sites.

Then I want to come back to – there are a number of factors that are changing and it's consistent with what you were thinking as far as the declining cost base. So I'll just walk you through those, because this is happening through the year and you'll see it really translating to Q4 and into 2021 when we're back to full production levels. So, we've got a – we do have a declining strip ratio. The strip ratio was 11.4 in 2019. It should be around 10.6 this year. But by 2021, it's going to be below 10 and it'll be sustained below 10 going forward.

We are moving Cardinal into closure this year and that's going to happen about mid-year. That's going to reduce the overall cost of the business by about CAD 3 a tonne. We won't see that through 2020, but we will see that into 2021. And Elkview, which is one of our lowest-cost operations, is moving from 7 million to 9 million tonnes. So, that's part of the production constraint in the first quarter as we need to take a shutdown to get that expansion in. But that's also not only is going to reduce or replace the tonnage that we shut down at Cardinal, it's at a much lower cost base than what Cardinal was.

The work we're doing on Neptune, that investment is going to significantly reduce our logistics costs. And then, as Don mentioned with RACE21, there's a huge amount of potential certainly past 2020 as we develop the program through 2020 into 2021.

So, all those things combined, I mean, you put them all together, by Q4 of 2020 and going into 2021, we'll be at a cost base less than CAD 60 per tonne. So, our costs are coming down. It's just we have to get through this production constraint period.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Okay. So, when we look ahead to 2021, assuming you're back at your 26 million to 27 million tonne type of run rate for volumes, adding all these pieces together, are we looking at a potential CAD 10-a-tonne savings? Is that kind of the ballpark?

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. I'll stick to the CAD 60 a tonne marker. So, we'll be below CAD 60 a tonne and we'll achieve that rate by Q4 of 2020.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Okay. Thank you very much.

<A – Robin Sheremeta – Teck Resources Ltd.>: And you're right that the tonnage will be around 26 million to 27 million tonnes.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Thank you.

Operator: Thank you. Our following question is from Matt Korn from Goldman Sachs. Please go ahead.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: Hi and good morning. A follow-up on coal. When you're looking at the coal ops holistically, what you've seen is persistent challenges. Are you confident you're looking at the business today that, the Neptune build-out, the Elkview investments, that this is going to be really enough to provide long-term stability to the segment or is there more that you may need to do to invest to get there? Like, is there any practical way to add redundancy bypassing bottlenecks in the chain, say, between your storage and your port that you may have to do? Just looking for ideas there.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. Well, I mean, a lot of the work we've done over the last three years in terms of expanding some of the mining areas at Elkview, at Fording River, at Greenhills, at Line Creek, these are the assets that we've consolidated down to have a stable base of strip ratio. Getting the strip ratio down below 10:1, that's critical to the business.

Moving away from the higher cost operations like Cardinal, that's going to be good for the business. The work we're doing at Neptune, this is going to strengthen our entire logistics chain. So, that's a stability that we require and we've suffered for the last few quarters. So, I think that's incredibly positive. And then just – again, the potential that RACE21 has to the coal business and all the business in Teck is tremendous. And we saw good evidence that many of the programs we've initiated in coal are starting to yield that kind of benefit.

So, we're much stronger going into this Q4 of this year. Unfortunately, again, we have to get through couple of quarters of transition. But as we get into Q4 and into 2021, we're pretty well set up here in a very strong cost base.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: All right. Let me then rotate a bit to copper. On QB2 development, can you tell us a bit more? What's been the nature exactly of the permitting delays? How much of a delay has there been with those permits versus the initial expectations? And has the social unrest remained an ongoing pressure there as you try to move materials, people around to the site?

<A – Don Lindsay – Teck Resources Ltd.>: Okay. We're going to start with Dale Andres on that, and Alex Christopher might chip in as well.

<A – Dale Andres – Teck Resources Ltd.>: Yeah. No. Thanks. To start with, I'll talk about permitting. Primarily, the delays have been in the sectoral permits, so the small number – a huge number of permits but small permits facilitate construction. Overall, we have over 2,000 of these permits, and there's multiple levels of government that we need to work through to get those.

So, that has slowed things down on the archaeological clearances, and part of that is also due to the social unrest. But the regulatory agencies that process these applications and permits have been slower than we anticipated, but partly due to the social unrest. And one of the agencies was even on strike for part of that period as well. So, that has had an impact.

Just back to the social unrest, I think QB2 has made out much better than other projects and other operations in Chile. But there's no question we have been impacted. It does affect movement of equipment, movement of people through the period. In particular after October 18, our workers were concerned about their families and homes.

And so the logistics of getting the workforce up to site has had an impact on the project. And I think as we put in our release, we are in the middle of completing updated cost estimate and schedule for the project and that will be released before the end of the quarter.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: All right. Thank you very much.

Operator: Thank you. Our following question is from Greg Barnes from TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Yeah. Thank you. I just want to take the cost guidance on the coal business a step further, if I can. The transportation cost this year, over CAD 40 a tonne, given all the moves you've taken, how do you expect that to evolve over the next several years?

<A – Don Lindsay – Teck Resources Ltd.>: Well, what we would say is it's certainly going to go down, but how much it goes down will depend on the tonnages that go through each of the ports. And that won't be determined, Greg, until sometime probably towards the end of the year. So, we can't give you an exact answer, but we're highly confident that it'd be going down and it should be a very, very beneficial thing. And then, the reliability will be going up, which is incredibly important. And contamination won't happen. So, that's also important.

<Q – Greg Barnes – TD Securities, Inc.>: Sure. I'm a little curious about the decision to delay the pre-feasibility study on QB3. That can't be a big expense item.

<A – Don Lindsay – Teck Resources Ltd.>: No, it wouldn't be a big expense item. It's more about keeping the focus on QB2 and making sure everything is going smoothly there. And it's also probably just part of overall CRP in the company, our cost reduction program. So we slowed down on all of Project Satellite as well and NU and Galore Creek and others. So it's part of the whole thing. It's not really specific to QB3.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. Thank you.

Operator: Thank you. Our following question is from Chris Terry from Deutsche Bank. Please go ahead.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Hi, Don. A couple of questions for me. Maybe just starting with overall capital management and then thinking about any asset sales. Just wondering if you could comment on any of the Project Satellite areas, whether there could be asset sales there over the course of this year and whether that would then be tied back to capital returns in the next 12 to 24 months. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. No. As I said before, we think Zafranal and, in the not-too-distant future, San Nicolás are projects that there's a lot of interest in out there. And pre-coronavirus, I would have said that this year there would be at least one asset sale and that the board would probably look at that capital, however much it was in terms of additional buybacks, that sort of thing.

With coronavirus still prevailing, I think most people are going to wait and see how that shakes out. It's still unknown what the long-term effect is, not just the disease itself but the effect on inventories, the different nodes in the supply chain. I think we have to get a better view and see how long that takes to clear, whether it's 2 or 3 months or 10 or 12 months. And so, someone making investments like that would probably want to see that, too.

So we'll go pretty slow on that for now. But if the market starts to clear and we think buyers have confidence, then we'd be back at that pretty quickly.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Thanks, Don. And then just to circle back to a couple of the other questions that were asked already but just in a slightly different way. I just want to be clear. So, on the cost-out target, the CAD 610 million, and you're expecting to get coal costs into 2021 below CAD 60 a tonne, is that where the majority of the savings will actually be shown in the numbers? It'll be in the OpEx? I know there's a portion that's CapEx as well, or is it outside of coal as well? Just trying to get a feel for where we'll actually see those savings come through the financials. Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: Over to Ron.

<A – Ron Millos – Teck Resources Ltd.>: So, that was the cost reduction program?

<A – Don Lindsay – Teck Resources Ltd.>: Yes.

<A – Ron Millos – Teck Resources Ltd.>: Yeah. They're all over the place. There's obviously various buckets of capital spending and they're within each of the various business units. There's savings in the satellite projects as Don mentioned earlier. There's administrative cost savings. Some of them will be included in the sort of the G&A number that you see, others will be in the admin costs at the sites. There's other income expense items in there where, as an example, we've monetized some hedging contracts that we had in place for small dollar amounts. So, split all over the place.

The basic – the split for the CAD 210 million for 2019 was about CAD 60 million in capital – sorry, CAD 150 million in capital, CAD 60 million OpEx. And about 75% of that came from the operating business units and then the other 25% came from the Satellite, the corporate initiatives. And then, go forward on the CAD 400 million, about 65% of that is at the operating business units. The big swing there is that one of the big initiatives is we were planning on refreshing a lot of our IT system and that's been put on hold. So, that's the reason for the drop in the percentage allocated to the producing business units and more to the other business units.

And then the target for the CAD 400 million target, that's CAD 220 million of OpEx and CAD 180 million of CapEx.

<A – Don Lindsay – Teck Resources Ltd.>: Maybe just related to the coal part of your question, I'm not sure if people are grasping this, but for further clarity. In closing, Cardinal River, which was 1.4 million tonnes, and replacing it with 2 million tonnes at Elkview is quite significant. So the Cardinal River tonnes were lower revenue per tonne than the new tonnes at Elkview and the Cardinal River tonnes in terms of costs were close to double the costs that we'll have at Elkview. So, it's a really big improvement in the business, and that's why we've moved it up to get it done as fast as we can. So, a couple of quarters from now, the business will be much stronger for having done this.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Thanks for the color. Just the last couple for me. The RACE21 program, just to be clear, does that have any CapEx associated with it?

<A – Don Lindsay – Teck Resources Ltd.>: Yes, it does. Ron or...

<A – Ron Millos – Teck Resources Ltd.>: Yeah. In our guidance, there's about CAD 85 million for CapEx. The total spend, when you read the news, is about CAD 140 million. The RACE21 is another sort of awkward one from an accounting perspective and that there is physical equipment, there's a software and algorithm writing, and then there's assessment costs. So, the costs will get split in three buckets. They'll be included in our research and innovation line item on the base of the P&L. And in the cash flow, they'll be in investments and in property, plant and equipment. Then, effectively, the piece that goes into investments is intangible assets and that's basically the software and the algorithms.

So, things that you can touch and kick and feel go into fixed assets, other things that can get capitalized go into the intangible asset bucket in investments; and then sort of assessment costs, as you're looking at the various initiatives before you come to a conclusion whether they're going to look or work or not, those would be expensed as incurred.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Thanks for that. So, I mean, it sounds like on a net basis the savings are not nearly as high as the headline numbers when you're putting the costs to actually implement the program.

<A – Ron Millos – Teck Resources Ltd.>: Well, the savings go every year, right, whereas the costs are – they're one-offs.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Okay. And just the last one for me. Just in terms of just to get full clarity on the port situation, to understand that in coal, can you step through maybe 2020, 2021 and 2022, the percentage from each port that you're expecting over that time? Just trying to understand how you manage the Neptune situation as you take that offline. I'm just making sure we've got the tonnes understood. Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. No, as I said earlier, we won't be able to do that till probably towards the end of the year that it hasn't yet been decided how many tonnes will go through each of the three ports.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. That's it for me. Thank you.

Operator: Thank you. Our following question is from Gordon Lawson from Paradigm Capital. Please go ahead.

<Q – Gordon Lawson – Paradigm Capital, Inc.>: Hi. Thanks for taking my question. In terms of railway delays, if they were to end in the near-term, do you believe you can make up for the losses by the end of Q2 or could this be more drawn out? And also, given current share prices, do you anticipate being more active in the NCIB program in the near-term?

<A – Don Lindsay – Teck Resources Ltd.>: I'll take the first one and then turn it over to Ian Anderson on the – or I'll take the second one. On the NCIB, we've done about CAD 800 million of the CAD 1 billion that we announced. So, that will resume when the blackout is finished. So, short answer is yes. And on rail, hard to know, but give your best view.

<A – Ian Anderson – Teck Resources Ltd.>: So the weather conditions we encountered in Q1, those appear to be largely resolved. But the blockade situation and the inventory situation that we're in now is very fluid. And so we do not anticipate at this point that we'd be able to make up those volumes over the first two quarters and we'll look forward to doing that as the course of the year progresses and things become clearer.

<Q – Gordon Lawson – Paradigm Capital, Inc.>: Okay. Thank you very much.

Operator: Thank you. Our following question is from Carlos de Alba from Morgan Stanley. Please go ahead.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Great. Hey. Thank you very much. Don, maybe just a follow-up on RACE21. Is there any split, even if it is just ballpark figure, on how the savings will be distributed or broken down by segment?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. I'm going to turn that over to Andrew Milner, our Senior VP, Transformation.

<A – Andrew Milner – Teck Resources Ltd.>: So, if we look at the 2019 year, the majority of the benefits came through the processing environment, so throughput improvements. And largely in the base metals business, we tackled the projects that we saw that are offering the greatest value.

That will continue into 2020. But we're now shifting, as part of RACE21, to the broader aspects of the program which is integrating the autonomous work, the full data integration work. So we'll see it ramp up in the analytic space in mining, predictive maintenance, et cetera. So, in initial phases, it's largely been throughput increases with cost savings being seen also but to a lesser extent. But that will certainly ramp up as we head into 2020.

The other one I'd just like to say on an earlier point, just on the value capture or value uplift here, the value proposition is substantial. If you just look at the example of 2019, we invested CAD 45 million one-off to capture CAD 150 million or CAD 160 million is what was achieved in recurring benefits. So it's actually quite a compelling investment. And going forward, our approach will be very much one of aligning investment to value uplifts.

So we have a program in place now where we've got stage gates and criteria for assessing projects. We'll invest in those projects. We'll look at the value uplift and then we'll make future decisions on future investment as we go forward. But we're very confident that we will achieve the CAD 500 million uplift this year and CAD 1 billion by the end of 2021.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: All right. Thank you. And then another follow-up on the share buybacks. As it was mentioned before, 80% has been completed from the previously authorized program. Don, how do you see the timing for a potential expansion or a new authorization on buybacks in light of the potential review in the CapEx of QB2? Would that happen or would management propose to the board a new program just after the new QB2 CapEx is announced? And then, depending on how the higher CapEx – what is the higher CapEx, then you would propose to the board a new program? Or it doesn't really matter and it's not linked to QB2 CapEx?

<A – Don Lindsay – Teck Resources Ltd.>: Well, we've got to finish the first program, the current program, and we're not sure how long that'll take. But once that's done, that would likely be passed when the QB2 information on CapEx and schedule comes out. So, it's a board decision.

There's nothing planned at the moment. The board would assess how the overall market looks, coronavirus, coal price, all the normal things that you'd think about, and look at our companies and decide if there's surplus to add or asset sales. Nothing planned at the moment, but the board will always be monitoring these in each meeting that we have.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Great. Thank you very much.

Operator: Thank you. Our following question is from Lucas Pipes from B. Riley FBR. Please go ahead.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: Hey. Good morning, everyone. Just another one on the coal side. And things do seem out of sync there at this time and just wanted to get a little bit more color. Is this related to Neptune at the end of the day or is this a perfect storm with weather, rail and your Neptune development coming together? Or are there maybe more specific processes that you can improve on your side that could avoid similar outcomes in the future? Thank you very much.

<A – Don Lindsay – Teck Resources Ltd.>: Thanks, Lucas. So, as usual, it's a combination of things. But it's probably closer to the perfect storm if you had to pick one. So, if you start big picture and say, look, the coronavirus has hit, it's hit commodity markets. We don't know how it's going to shake out. But generally, they'd be weaker for a period of time until this whole thing sorts itself out throughout the supply chain. So, we're saying we'll do our part and cut back production a bit. I noticed that that's helping to strengthen the coal price, that's been very effective so far. That then, with reduced production, gives us opportunity to take the five-month shutdown in Neptune, which assists with the construction and helps manage things there. So, it's kind of seeing an opportunity and taking it in terms of making those decisions.

But we got to get through these two quarters. But, boy, it sets the business up in a really good position as we get to the end of the year like this. This transfer from Cardinal River to Elkview is very significant. It's a much higher quality business once we've completed that. So, a lot of it's happening in these two quarters, no question, but it certainly comes to an end and business is in good shape after that.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: That's a helpful perspective. I appreciate that. And then, my second question on QB2, and I appreciate I'll have an update here before the end of the quarter, but I'm sure you can appreciate that this has been an overhang for the stock and investors are eager to kind of find out what the number is. And I understand it's early and there is still some – I'm sure some work to be done. But can you maybe ballpark the potential cost inflation? Could it be 10%, 20%, below that? Any color that you could share at this point, I think, it would be really appreciated by the market. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Well, I certainly understand why you're asking the question, but I'm sorry, I'm not going to be able to do that. I will give you the answer, it's only maybe six weeks away, not even that, and then you'll get lots of detail and then we'll be available on April 1 in the Investor Day to go through all the detail. I think it's best to get the true story rather than make any estimates at this time.

But I might just add back on the coal business. Like, when I say we got to get through these two quarters, but once you get into really even in Q3 and Q4, we go into a period of time where coal costs continue to go down. First, the Elkview expansion that we talked about, but then, as Robin said, the strip ratio is coming down this year and again next year. Then we get Neptune in place and that lowers our costs in the logistics side.

So we're quite excited about the coal business. It's going to be so much stronger six months from now. But, yes, we got to go through these quarters. I know the market is short-term and always is short-term, but even medium-term it's not even quite – it's not that long till this business looks awfully good.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: That's very helpful. Really appreciate it. And best of luck to you and the team.

<A – Don Lindsay – Teck Resources Ltd.>: Thank you.

Operator: Thank you. Our following question is from Brian MacArthur from Raymond James. Please go ahead.

<Q – Brian MacArthur – Raymond James Ltd.>: Good morning. I'm sorry to go back to the call again, and I hear everything you're saying about getting to the next two quarters, but there's also a statement in here about the risk if you don't complete Neptune on time and your Westshore

Terminal contract expires, you may have to pull back production and sales. So, can you just go through it?

It looks like you have some mitigation in there with your deal on Ridley. But can you just answer, that Ridley deal that goes from 3 million to 6 million tonnes and then you have an option to 9 million tonnes, if for some reason Neptune's delayed, Westshore expires, can you get 9 million tonnes through Ridley next year in that short period of time while you're offering everything, because that will impact the costs too? Can you just go through that scenario, please?

<A – Don Lindsay – Teck Resources Ltd.>: Okay. I'll make two quick points and then turn it over to Réal and Ian. So the language in our disclosure is what you would expect that we do is our job to highlight the risks. So we've done so. So it's nothing more than that.

In terms of – well, let's go to the Ridley contract now then. So who wants to start? Réal, you want to go with that? Okay.

<A – Réal Foley – Teck Resources Ltd.>: So, when you look at what we've announced on contracts, I mean, there is additional capacity on CN. There is additional capacity at Ridley, like you described. What we're actually doing is continuing to progress commercial and operational options to complement our capacity at Neptune.

And keep in mind also that the five-month outage that we're doing at Neptune will bring benefit to the schedule, and there is a possibility that we will also get benefit from tonnage going through Neptune. It's difficult to estimate at this point.

And then with respect to other alternatives, we're not going to go into further details at this point because it's actually commercially sensitive.

<Q – Brian MacArthur – Raymond James Ltd.>: Great. Thanks very much.

Operator: Thank you. Our following question is from Alex Hacking from Citi. Please go ahead.

<Q – Alex Hacking – Citigroup Global Markets, Inc.>: Yeah. Good morning. Just one question for me. On the energy business, right now, I guess it's generating negative cash flows, negative headlines. Where does this business fit in your portfolio on the long-term, especially given your targets around carbon neutrality and stuff like that? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Sort of a big-picture question. I'm going to answer it in two parts. First, what we've said is that, again, this is really focused on Fort Hills. The Fort Hills has been very successful from an engineering and operating point of view, and the only month that – the last month it was allowed to run full-out. It averaged 104% of capacity and cash cost of CAD 23. So, it was a pretty good asset. Since that time, we've had the capacity shut-in in Alberta and it doesn't look like it's going to change anytime soon. And that of course is due to the pipeline issue.

And so, really, for Fort Hills to achieve the kind of results that it was built for, we have to wait for the pipelines to be completed. And during that time, Suncor believes there's really good bottlenecking – de-bottlenecking opportunities that can increase the capacity as much as 20%. So, allowing those two things to happen, certainly, increases the value of Fort Hills.

We've said that at that time, which is a couple of years off, that if we're not getting paid in the Teck Resources share price for that asset, which might be one of our top-three assets in that time, then we would look at doing something to release that value, whether it's a spin-out or sale or some sort of transaction. We looked to make sure that the shareholders get to use some value. So, that's how we think. And I think if we did that then probably Frontier and Lease 421 would go with it.

The specifics on Frontier, of course, it's right before federal cabinet now. We don't know what the decision is going to be. And I think we've come this far. We're just going to wait and see what the answer is. At this stage, as I said before, it's anyone's guess.

Operator: Thank you. Our following question is from Orest Wowkodaw from Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Yeah. Thanks for taking the follow-up. Just in your three-year guidance for Highland Valley Copper at 155,000 to 165,000 tonnes, does that assume an expansion kicks in somewhere in that timeframe?

<A – Don Lindsay – Teck Resources Ltd.>: No. In fact, specifically, it doesn't assume that. And an expansion, if anything, could probably even potentially drop that for a short while. But that's the existing plan. It's better grades as we go deeper in the pit and we're getting tremendous benefit from Race21 throughput initiatives as well as the recent D3 mill that was installed and commissioned in 2019.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Okay. Thank you. And then just on QB2. I realize the study is underway, but can you give us a sense of how much of the original CapEx was exposed to the peso versus the dollar?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. It's close to 70% and the other part of that question-and-answer is that the US dollar component is generally more upfront in terms of the things you're purchasing, whereas now between now and finished new project, a high percentage of labor which of course is in Chilean pesos. So, peso is around CLP 800 today. So it's a pretty big benefit.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Thanks very much.

<A – Don Lindsay – Teck Resources Ltd.>: Just to remind people, when we sanctioned the project, we used CLP 625 to the US dollar.

<A – Fraser Phillips – Teck Resources Ltd.>: Mole, I think we've got time for one more question. Thanks.

Operator: Certainly. Our last question is from Greg Barnes from TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: I just want to squeeze in around the trout issues in the Elk Valley. How serious is that and what mitigation measures do you think you need to make?

<A – Don Lindsay – Teck Resources Ltd.>: We're turning to Robin Sheremeta go with that one.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. I mean we're still evaluating it. We had the one population measure last through the summer season. So – and that showed a decline in the population. And right now, we're into a technical review that's going to take some time. There's multiple different possible causes from anything from water quality issues to flow conditions, habitat availability, predation, lots of different scenarios around natural causes.

So we have to get through that process of understanding what the potential root cause is. We're confident that whatever we find as a root cause we'll be able to mitigate and move forward, but that's where we sit right now. There's not much more we can say until we get through the study.

<A – Don Lindsay – Teck Resources Ltd.>: You're not going to tell him about the...

<A – Ron Millos – Teck Resources Ltd.>: How long.

<A – Robin Sheremeta – Teck Resources Ltd.>: Sorry?

<A – Ron Millos – Teck Resources Ltd.>: Greg said how long.

<A – Robin Sheremeta – Teck Resources Ltd.>: Possibly three to four months is what I think we're looking at. And that's the last update I had. Really strong team that's on it. External people have come in to help us understand what's happened, so.

<Q – Greg Barnes – TD Securities, Inc.>: Okay.

<A – Robin Sheremeta – Teck Resources Ltd.>: About three to four months.

<Q – Greg Barnes – TD Securities, Inc.>: Thank you.

<A – Robin Sheremeta – Teck Resources Ltd.>: Should be probably the middle of the year.

Operator: Thank you. That concludes the Q&A session. Please go ahead, Mr. Lindsay.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Okay. I just want to say thank you to all for joining us today. And maybe just to remind you that, particularly when talking about QB2, none of that innovation that we addressed is new. It's all sort of been things we've disclosed for several months now. And we look forward to being able to more fully answer the question on CapEx and schedule at Investor Day on April 1, and we hope to see you all there. Thanks very much.

Operator: Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you for your participation.